

Financial Statements
Lakeshore Coordinating Council
September 30, 2006



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Lakeshore Coordinating Council	County
Fiscal Year End September 30, 2006	Opinion Date May 18, 2007	Date Audit Report Submitted to State June 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

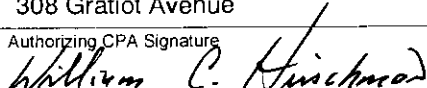
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Roslund, Prestage & Company, PC		Telephone Number 989-463-6123	
Street Address 308 Gratiot Avenue		City Alma	State MI
Authorizing CPA Signature 		Zip 48801	License Number 1101016179
Printed Name William C. Hirschman			

Lakeshore Coordinating Council
Table of Contents
September 30, 2006

Independent Auditor's Report

Management's Discussion and Analysis I - IV

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets 1

Statement of Activities 2

Fund Financial Statements:

Balance Sheet – Governmental Funds 3

Reconciliation of Fund Balances on the Balance Sheet for
Governmental Funds to Net Assets of Governmental
Activities on the Statement of Net Assets 4

Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds 5

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities 6

Statement of Net Assets – Proprietary Fund 7

Statement of Revenues, Expenses and Changes in Fund
Net Assets – Proprietary Fund 8

Statement of Cash Flows – Proprietary Fund 9

Notes to the Financial Statements 10-24

Required Supplemental Information:

Budgetary Comparison Schedules 25

Government Auditing Standards and OMB

Circular A-133 Audit Reports 26-29

Schedule of Expenditures of Federal Awards 30

Schedule of Findings and Questioned Cost 31

Other Supplemental Information 32-36



INDEPENDENT AUDITOR'S REPORT

Lakeshore Coordinating Council
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeshore Coordinating Council (the Council), as of and for the year ended September 30, 2006, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 18, 2007 on our consideration of the Council's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other supplemental financial information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Council. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 18, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Lakeshore Coordinating Council
Financial Statements for the Fiscal Year Ended September 30, 2006
Management's Discussion and Analysis

The Lakeshore Coordinating Council (LCC) is a substance abuse coordinating agency (CA) designated by the Michigan Department of Community Health (MDCH) under Public Act 368 of 1978, as amended. LCC was formed by an interlocal agreement in 1996 and operates under the terms of the Urban Cooperation Act. Originally there were six participating counties: Allegan, Berrien, Cass, Muskegon, Ottawa, and Van Buren. As of fiscal year 2002/2003, Van Buren County aligned with another CA; and the LCC region now consists of five member counties.

LCC initially managed the funding for the Medicaid substance abuse services carve-out for the entire LCC region with a direct contract from MDCH. Beginning in fiscal year 2002/2003, the MDCH contracted for Medicaid Specialty Services through designated Prepaid Inpatient Health Plans (PIHPs), which were defined by MDCH as community mental health agencies or groups of agencies that consisted of a minimum of 20,000 Medicaid covered lives. The LCC five-county region counties became divided into three CMH-PIHP sub-regions, and affiliation agreements were developed with these three CMH-PIHPs. Medicaid funding for Allegan and Cass Counties came to Kalamazoo CMH; Medicaid funding for Berrien County came to Calhoun County CMH (a.k.a. Summit Pointe/Venture); and Medicaid funding for Muskegon and Ottawa Counties came to Muskegon County CMH.

Difficulties were encountered with this arrangement since each PIHP sub-region had to be managed separately despite funding being based on regional experience. Because the funding was now subdivided, LCC could no longer shift available Medicaid funding where it was needed within the region. This resulted in one PIHP sub-region lapsing Medicaid funding while another PIHP sub-region had to dip into the risk pool. It also resulted in local inequities of benefit for the consumers. Consumers from one PIHP sub-region could get authorized generous residential and subacute detox services while consumers from another PIHP sub-region couldn't get any of these allowable services as a Medicaid benefit.

After MDCH's 1915-B Medicaid waiver with the federal government was renewed, creating "B" basic plan services and "B-3" additional plan services (i.e. subacute detox and residential care), these services became a consistent benefit in the LCC region and throughout the state, MDCH also issued a Technical Advisory letter that allowed Medicaid funding to be managed regionally by the CA within the CA's region. However there have been aggressive moves by regional community mental health directors and affiliations to control Medicaid substance abuse service funding. Within the LCC region, Calhoun County CMH, chose not to allow the regional CA (LCC) to manage the Medicaid funds for Berrien County effective January 1, 2006. Kalamazoo CMH has also acted to directly manage the substance abuse Medicaid funds for Allegan and Cass counties effective October 1, 2006. Although these changes may have been made in an attempt to centralize and consolidate substance abuse costs and management functions, state financial and CA comparisons data has not supported this theory. Unfortunately with the changes in Medicaid funds management, LCC's opportunity to use Medicaid expenses toward its Block Grant spending target for Women's Specialty Services has been reduced, thereby affecting the amount of Block Grant funds able to be used to support other regional substance abuse services.

Lakeshore Coordinating Council
Financial Statements for the Fiscal Year Ended September 30, 2006
Management's Discussion and Analysis

In FY05/06, the Adult Benefit Waiver (ABW) funding block grant match requirement was 30.39 percent of total ABW expenditures. However, more than the minimum block grant match required continues to be used to help cover ABW expenditures that exceeded the ABW revenue received.

In accordance with the Public Act 2 statute, LCC counties continue to forward 50% of their respective county's PA2 funds to LCC for distribution to local service agencies for direct substance abuse treatment and/or prevention services. Agreements have been maintained and have enabled us to show all sources of local match funding that is used for direct substance abuse services.

LCC continues to contract with the MDCH for the Block Grant funded services for residents of Allegan, Berrien, Cass, Ottawa, and Muskegon counties. In FY05/06 Block Grant funding accounted for 76.7% of LCC revenues received from MDCH, Medicaid funding accounted for 21.4%, ABW funding accounted for 1.8%, and MIChild funding accounted for 0.1%.

Financial Statements:

Two types of financial statements are provided: Government-Wide Financial Statements and Fund Financial Statements.

Government-wide financial statements are designed to present the organization's finances in a layout similar to that of a private sector business. They consist of a Statement of Net Assets (providing historical balance sheet information), which shows the difference between assets and liabilities; and a Statement of Activities (providing historical income statement information), which shows revenues and expenses and the change in net assets from the previous year.

Fund financial statements offer a series of statements that focus on the major governmental funds. They report information using the modified accrual basis of accounting. For LCC, the major funds consist of the general fund and the proprietary fund. The general fund statements identify activities of our day-to-day operations.

The proprietary fund identifies funds set aside as the Internal Service Funds for Medicaid risk management. Reconciliations are also offered between the Fund Financial Statements and the Government-wide Statements.

Lakeshore Coordinating Council
Financial Statements for the Fiscal Year Ended September 30, 2006
Management's Discussion and Analysis

Comparison with Prior Year

LCC's total net assets show a decrease of \$56,003 for fiscal year 2005/2006, as compared to the prior year.

Net Assets	Governmental Activities	
	2006	2005
Current and Other Assets	1,180,975	1,370,017
Capital Assets – Depreciable, Net	9,725	6,617
Total Assets	1,190,700	1,376,634
Current Liabilities	1,139,716	1,269,647
Total Liabilities	1,139,716	1,269,647
Net Assets:		
Invested in Capital Assets	9,725	6,617
Restricted for Risk Management	-	60,376
Unrestricted	41,259	39,994
Total Net Assets	\$50,984	\$106,987
	=====	=====

Analysis of Overall Financial Position

	Governmental Activities	
	2006	2005
Revenues		
Substance Abuse Block Grant	\$4,514,962	\$4,194,299
Substance Abuse-Medicaid	1,258,554	1,587,975
MIChild	7,433	9,243
Adult Benefit Waiver	104,146	106,521
PA2	1,280,186	1,330,889
Other	36,146	18,507
Total Revenues	7,201,427	7,247,444
Expenses		
Payments to Subrecipients (excl. PA2)	5,250,307	5,304,183
LCC expenses	580,019	506,180
Adult Benefit Waiver, MI Child, Other	144,767	174,445
PA2 Payments	1,280,186	1,330,899
Transfer Out	-	28,625
Total Expenses	7,255,279	7,344,332
Excess of Rev. Over (Under) Exp.	(\$53,852)	(\$96,888)
Prior Period Adjustment	(2,151)	(100,828)
Change in Net Assets	(\$56,003)	(\$197,716)
	=====	=====

Lakeshore Coordinating Council
Financial Statements for the Fiscal Year Ended September 30, 2006
Management's Discussion and Analysis

Currently Known Information Affecting the Future

Because the current MDCH Medicaid structure makes it more complicated for the mental health PIHPs to give attention to substance abuse services, the desire to remove those complications by administering the full substance abuse service system has been a topic of discussion. There have also been actions taken by PIHPs to create new CA regions that are contingent and consistent with the current community mental health PIHP regions as they are currently defined, thus eliminating the coordinating agencies such as LCC from their role in this.

Michigan is struggling to balance huge budget deficits. Federal deficits are placing additional pressures on Medicaid and block grant funding. The effect of these for us on future funding for community mental health and substance abuse specialty supports and services is unknown, however in FY06 MDCH rebased the Medicaid funding in an effort to achieve more equitable funding amongst all CMHSPs/PIHP regions.

There is also an expectation that the Michigan Legislature will spearhead (with continual prompting) an update of the substance abuse services block grant allocation formula within the state – a step which should allow the LCC region to receive a greater proportion of the state's block grant funds, given the region's significant population growth since 1990. However, it appears unlikely that this will occur prior to the start of FY 07/08.

Given the Michigan economic conditions, the percent and number of clients covered by Medicaid and other tax-assisted health care plans will continue to grow. A new Michigan comprehensive health plan, proposed by the Governor, could replace the current CA contracting and payment system for substance abuse treatment, although it is not clear how benefits would be administered.

LCC's current funding for the State Incentive Grant (SIG) ended September 30, 2006. This was a three year grant awarded to MDCH by the Substance Abuse and Mental Health Services Administration's Center for Substance Abuse Prevention (SAMHSA/CSAP) to plan, develop, and promote evidence-based prevention practices.

In addition, LCC's Methamphetamine Grant funding will be ending in FY 06/07. This grant has supported LCC's ability to assess, address, and work to resolve the regional needs relating to methamphetamine use, abuse, and manufacturing in conjunction with other existing law enforcement efforts.

The SAMHSA/CSAP has awarded the Michigan Department of Community Health Office of Drug Control Policy (MDCH/ODCP) a Strategic Prevention Framework State Incentive Grant (SPF/SIG) to help achieve various federal outcome goals. The goals are to build prevention capacity and infrastructure, to prevent the onset and reduce the progression of substance abuse including childhood and underage drinking, and to reduce substance abuse related problems in communities. LCC expects to receive funding from the MDCH/ODCP in FY 06/07 to help develop, carryout, and achieve the SPF/SIG goals.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

LAKESHORE COORDINATING COUNCIL
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006 AND 2005

	Governmental Activities	
	2006	2005
Assets		
Current Assets		
Cash and Cash Equivalents	\$1,038,828	\$1,067,563
Due from Other Governmental Units	79,378	190,956
Prepaid Expenses	-	10,953
Cash and Cash Equivalents - Restricted	62,769	100,545
Total Current Assets	1,180,975	1,370,017
Noncurrent Assets		
Capital Assets - Depreciable, Net	9,725	6,617
Total Assets	1,190,700	1,376,634
Liabilities		
Current Liabilities		
Accounts Payable	624,133	670,287
Deferred Revenue	25,091	4,570
Due to Other Governmental Units	454,439	584,716
Accrued Wages and Other Payroll Liabilities	6,160	6,168
Compensated Absences	23,466	-
Other Liabilities	6,427	3,906
Total Current Liabilities	1,139,716	1,269,647
Net Assets		
Invested in Capital Assets	9,725	6,617
Restricted for Risk Management	-	60,376
Unrestricted	41,259	39,994
Total Net Assets	\$50,984	\$106,987

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006 AND 2005

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes Net Assets	2005
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Health & Welfare - Substance Abuse	<u>\$7,192,510</u>	<u>\$717</u>	<u>\$7,165,281</u>	(\$26,512)	(\$53,206)
General Revenues					
Unrestricted Investment Earnings				33,036	18,132
Restricted Investment Earnings				<u>2,393</u>	<u>1,306</u>
Total General Revenues and Contributions				<u>35,429</u>	<u>19,438</u>
Transfers In (Out)				<u>(62,769)</u>	<u>(63,120)</u>
Change in Net Assets				(53,852)	(96,888)
Net Assets - Beginning of Year				106,987	304,703
Prior Period Adjustments				<u>(2,151)</u>	<u>(100,828)</u>
Net Assets - End of Year				<u>\$50,984</u>	<u>\$106,987</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

LAKESHORE COORDINATING COUNCIL
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006 AND 2005

	General Fund	
	2006	2005
Assets		
Cash and Cash Equivalents	\$1,038,828	\$1,067,563
Due from Other Governmental Units	79,378	190,956
Prepaid Expenses	-	10,953
Total Assets	<u>\$1,118,206</u>	<u>\$1,269,472</u>
Liabilities		
Accounts Payable	\$624,133	\$670,287
Due To Other Funds	-	22,951
Deferred Revenue	25,091	4,570
Due to Other Governmental Units	391,670	521,596
Accrued Wages and Other Payroll Liabilities	6,160	6,168
Compensated Absences	23,466	-
Other Liabilities	6,427	3,906
Total Liabilities	<u>1,076,947</u>	<u>1,229,478</u>
Fund Balance		
Reserved for Prepaid Expenses	-	10,953
Unreserved and Undesignated	<u>41,259</u>	<u>29,041</u>
Total Fund Balance	<u>41,259</u>	<u>39,994</u>
Total Liabilities and Fund Balance	<u>\$1,118,206</u>	<u>\$1,269,472</u>

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Total fund balance - governmental funds	\$41,259
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	53,930
Deduct: accumulated depreciation	(44,205)
An internal service fund is used by management to cover the risk of overspending the Managed Care Specialty Services Program contract. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	
Add: net assets of governmental activities accounted for in the internal service fund	<u> -</u>
Net assets of governmental activities	<u><u>\$50,984</u></u>

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006 AND 2005

	General Fund	
	2006	2005
Revenues		
Federal Grants		
Substance Abuse Block Grant	\$4,514,962	\$4,194,299
Substance Abuse - Medicaid Managed Care	1,258,554	1,587,975
Adult Benefit Waiver	104,146	106,521
MI Child	7,433	9,243
Total Federal Grants	<u>5,885,095</u>	<u>5,898,038</u>
State Grants - PA2	<u>1,280,186</u>	<u>1,330,899</u>
Other Revenues		
Fees and Charges	717	375
Interest	<u>33,036</u>	<u>18,132</u>
Total Other Revenues	<u>33,753</u>	<u>18,507</u>
Total Revenues	<u>7,199,034</u>	<u>7,247,444</u>
Expenditures		
Payments to Subrecipients - Block Grant	4,133,798	3,864,944
Payments to Subrecipients - Medicaid Managed Care	1,116,509	1,439,239
Salaries and Wages	247,118	224,967
Fringe Benefits	106,466	93,171
Travel	15,743	12,583
Supplies and Materials	12,691	14,062
Other	128,505	129,411
Capital Outlay	9,835	-
Adult Benefit Waiver	104,146	153,417
MI Child	7,433	6,980
C.A. Methamphetamine Grant	33,188	14,048
PA 2	<u>1,280,186</u>	<u>1,330,899</u>
Total Expenditures	<u>7,195,618</u>	<u>7,283,721</u>
Excess Of Revenues Over Expenditures	3,416	(36,277)
Other Financing Sources (Uses)		
Operating Transfers (Out) - Internal Service Fund	<u>-</u>	<u>(28,625)</u>
Excess Of Revenues Over (Under) Expenditures And Other Sources And Uses	3,416	(64,902)
Fund Equity - Beginning of Year	39,994	205,724
Prior period adjustments	<u>(2,151)</u>	<u>(100,828)</u>
Fund Equity - End of Year	<u>\$41,259</u>	<u>\$39,994</u>

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - total governmental funds	\$3,416
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Deduct: depreciation expense	(2,365)
Add: capital outlay	5,473
An internal service fund is used by management to cover the risk of overspending the contract. The net revenue (expense) of the fund attributable to those funds is reported with the governmental activities.	
Deduct: transfers out of internal service fund	(62,769)
Add: interest income from governmental internal service fund	<u>2,393</u>
Change in net assets of governmental activities	<u><u>(\$53,852)</u></u>

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2006 AND 2005

	Internal Service Fund	
	2006	2005
Assets		
Cash and Cash Equivalents - Restricted	\$62,769	\$100,545
Due From General Fund	-	22,951
Total Assets	62,769	123,496
Liabilities		
Due To Other Governmental Units	62,769	63,120
Net Assets		
Restricted For Risk Management	-	\$60,376

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006 AND 2005

	Internal Service Fund	
	2006	2005
Non-Operating Revenues (Expense)		
Interest Income	\$2,393	\$1,306
Operating Transfers		
Operating Transfer In	-	28,625
Operating Transfer (Out)	(62,769)	(63,120)
Change In Net Assets	(60,376)	(33,189)
Net Assets, October 1	60,376	93,565
Net Assets, September 30	-	\$60,376

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006 AND 2005

	Internal Service Fund	
	2006	2005
Adjustment To Reconcile Net Income		
To Net Cash Provided By Operating Activities:		
(Increase) Decrease In:		
Due From Other Funds	\$22,951	-
Due To Other Governmental Units	(351)	-
Net Cash Provided (Used) From Operating Activities	22,600	-
Cash Flows from Investing Activities		
Interest Income	2,393	\$1,306
Net Cash Provided From Investing Activities	2,393	1,306
Cash Flows from Financing Activities		
Operating Transfers In (Out)	(62,769)	5,674
Net Change in Cash and Cash Equivalents	(37,776)	6,980
Cash and Cash Equivalents, Beginning Of Year	100,545	93,565
Cash and Cash Equivalents, End Of Year	<u>\$62,769</u>	<u>\$100,545</u>
Reconciliation of Operating Income To Net Cash Provided		
By (Used for) Operating Activities:		
Operating Income (Loss)	-	-

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lakeshore Coordinating Council (the Council) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Council.

Reporting Entity

The Allegan, Muskegon, Ottawa Substance Abuse Agency (AMOSAA) was formed by an inter-local agreement under the Urban Cooperation Act of 1967, as amended, by the Counties of Allegan, Muskegon, and Ottawa. The agency was established for the purpose of inventory review, planning and coordination of programs and facilities which provide prevention, treatment and rehabilitation services for individuals dependent upon or abusing alcohol and drugs within the three-county area.

The Organization merged with Berrien, Cass, and Van Buren counties in April of 1996 at which time the Organization changed its name to Lakeshore Coordinating Council (the "Council"). Van Buren County elected not to be a member of the Lakeshore Coordinating Council effective October 1, 2002.

The Council has its own board of directors appointed by the county commissioners of the participating counties.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Council's reporting entity, and which organizations are legally separate, component units of the Council. Based on the application of the criteria, the Council does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Council. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Lakeshore Coordinating Council Notes To Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Council's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements (statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Intergovernmental revenue, charges for services and other revenues associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Lakeshore Coordinating Council Notes To Financial Statements

Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at year end has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, similar to the government-wide statements described above.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the internal service fund are charges to other funds for insurance services. Operating expenses for internal service funds include the cost of claims, administration and reinsurance. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Council reports the following major governmental and proprietary funds:

Governmental Funds

General Fund – This fund is the Council's primary operating fund. It accounts for all financial resources of the Council, except those required to be accounted for in other funds.

Proprietary Funds

Internal Service Fund - This fund represents amounts set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Council's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the Council for the general fund. The budget is prepared on a basis consistent with generally accepted accounting principles and is adopted at the line item level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The Council's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits, and certificates of deposit.

Receivables and Payables between Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the Michigan Department of Community Health and the State of Michigan.

Lakeshore Coordinating Council
Notes To Financial Statements

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories

The Council does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are recorded as an expenditure when purchased.

Capital Assets

Capital assets, which include equipment, software and vehicles, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Council are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Machinery and Equipment	5 -7
Furniture and Fixtures	7
Computer Equipment	5

Restricted Assets

Cash has been restricted for the risk reserve liability. These restricted assets are held in separate cash accounts with local financial institutions.

Deferred Revenue

Deferred revenues arise when the Council receives resources before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the Council has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statements and government-wide financial statements, and revenue is recognized.

Net Assets and Fund Balances

Restricted net assets shown in the government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental funds financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Fund Balances - Reserves and Designations

Fund balances in the governmental funds financial statements are reported as reserved when a portion of fund balance is either:

- Not available for appropriation for expenditure, or
- Legally segregated for a specific future use.

Fund balances in the governmental funds financial statements may be reported as designated to reflect management's self-imposed limitations on the use of otherwise available financial resources. Designations represent management's intended use of resources and should reflect actual plans approved by them.

Net Assets - Restrictions

Net assets in the government-wide financial statements are reported as restricted when constraints placed on net assets use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Lakeshore Coordinating Council
Notes To Financial Statements

Grants

Grants from the Department of Community Health (DCH) and other governmental units are recorded as revenues when the actual expenditures financed by the grant are incurred. Excess funding is treated as deferred until used or until retrieved by the source.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted at the line item level and on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Council does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

Excess Of Expenditures Over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the current year the Council incurred expenditures in excess of the amounts budgeted as shown on the budget comparison schedule in the back of this report as unfavorable variances.

NOTE 3. DETAIL NOTES

Cash and Cash Equivalents

At September 30, the carrying amount of the Council's cash and cash equivalents was as follows:

Cash & Cash Equivalents	2006	2005
Petty Cash	\$200	\$200
Checking, Savings, And Money Market Accounts	1,038,628	1,067,363
Checking, Savings, And Money Market Accounts - Restricted	62,769	100,545
Totals	\$1,101,597	\$1,168,108

Lakeshore Coordinating Council
Notes To Financial Statements

Restricted Cash and Cash Equivalents

Cash and investments in the Internal Service Fund have been restricted to cover the risk of overspending their authorized projected revenues covered by the Medicaid contract.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Council's deposits might not be recovered. The Council does not have a policy for custodial risk over deposits.

As of the end of the current fiscal year, \$901,397 of the Council's \$1,101,397 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Deposits which exceed FDIC insurance coverage limits are held at local banks. The Council believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits.

As a result, the Council evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

State statutes authorize the Council to invest surplus funds in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of the end of the current year, the Council had no such investments.

The Council's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk – Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Council's investment policy complies with the State guidelines and seeks to minimize interest rate risk by investing primarily in short-term securities, liquid assets, money market funds, or similar investment pools and limiting average maturities.

The Council's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Lakeshore Coordinating Council
Notes To Financial Statements

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Council will not be able to recover the value of its investments that are in the possession of an outside party. The Council requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts.

The Council does not have any additional policies for custodial credit risk over investments.

Credit Risk - Investments

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks.

The Council's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Council places no limit on the amount it may invest in any one issuer.

Due From Other Governmental Units

Due from other governmental units as of September 30th consists of the following:

Due From:	2006	2005
Allegan and Ottawa Counties – P.A. 2	\$78,582	\$121,244
Muskegon & Ottawa Counties - Medicaid	-	69,712
Other Governmental Units	796	-
Total	\$79,378	\$190,956

Lakeshore Coordinating Council
Notes To Financial Statements

Prepaid Expenses

Prepaid expenses represent payments for expenditures that will benefit future periods such as insurance, postage, dues, and maintenance agreements.

Capital Assets

A summary of changes in capital assets is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Machinery and Equipment	\$12,284	\$738	-	\$13,022
Furniture and Fixtures	12,062	-	-	12,062
Computer Equipment	24,111	4,735	-	28,846
Sub-total	48,457	5,473	-	53,930
Accumulated Depreciation	(41,840)	(2,365)	-	(44,205)
Totals	\$6,617	\$3,108	-	\$9,725

Depreciation expense in the amount of \$2,365 was charged to Health and Welfare – Substance Abuse Programs.

Deferred Revenue

Deferred revenue represents amounts received in advance of the period in which they were earned as follows:

Deferred Revenue	2006	2005
MI Child	\$8,885	\$4,570
PA 2	16,206	-
Total	\$25,091	\$4,570

Lakeshore Coordinating Council
Notes To Financial Statements

Due to Other Governmental Units

Due to other governmental units as of September 30th consist of the following:

Due To:	2006	2005
Various Providers – PA2 Funds	\$93,513	\$121,244
Various Counties - Medicaid Savings	230,447	250,925
State of Michigan – Prior Year Refunds	41,562	40,782
State of Michigan – Block Grant	26,148	108,573
Kalamazoo County CMH – ISF Fund	-	29,708
Summit Pointe PIHP – ISF Fund	-	33,412
LBHA – ISF Fund	62,769	
Other	-	72
Total	\$454,439	\$584,716

Accrued Wages and Other Payroll Liabilities

This liability represents amounts paid to employees during October that was earned during September. Also included are employer payroll taxes and related liabilities.

Compensated Absences

The Council's policy allows employees to accumulate up to 120 hours of vacation time after 12 months of employment. Employees can accumulate up to 160 hours after 10 years of full-time employment. Any excess accumulation shall be forfeited. Amounts accumulated are to be paid to an employee and recognized as an expense either when vacations are actually taken or upon termination of employment.

The compensated absences liability includes related FICA and retirement.

Operating Leases

The Council has entered into various capital and operating leases for the use of real and personal property. These leases either do not give rise to property rights or lease obligations or are not material in relation to the financial statements. Therefore, the results of these lease agreements are not reflected in the financial statements.

Lakeshore Coordinating Council
Notes To Financial Statements

The following is a summary of the significant lease agreements:

Building

Lakeshore Coordinating Council leases its building from the United States Post Office. The term of the lease is three years beginning February 1, 2004 and calls for monthly rental payments of \$1,620. Operating leases do not give rise to property rights or lease obligations, and therefore, the lease agreements are not reflected in the financial statements.

The following is a schedule of the future minimum lease payments required under the above operating lease as of September 30, 2006:

Year Ending September 30th	Amount
2007	\$8,100

Prior Period Adjustments

Prior period adjustments shown in this report represents the adjustment to net assets due to the following:

Adjustment To Net Assets	2006	2005
Cost settlement for fiscal year ended 9/03:		
Kalamazoo County CMH	-	(\$20,938)
Summit Pointe	-	(35,957)
Lakeshore Behavioral Health Alliance	-	(39,589)
Cost settlement for fiscal year ended 9/04:		
Kalamazoo County CMH	-	(876)
Summit Pointe	-	(985)
Lakeshore Behavioral Health Alliance	-	(1,789)
Medicaid carry over adjustment	-	15,772
Correction of accounts payable balance	-	(15,522)
Other	(\$2,151)	(944)
Total Increase (Decrease) To Net Assets	(\$2,151)	(\$100,828)

Restrictions and Reserves

A portion of the net assets has been restricted equal to the net amount available in the Internal Service Fund (risk management) which has been set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

In the fund level financial statements a portion of the fund balance at September 30th has been reserved equal to the amount of prepaid expenses, since prepaid expenses do not constitute "available spendable resources."

NOTE 4. OTHER INFORMATION

Compliance Audits

All governmental grants are subject to a transactional and compliance audit by the grantors or their representatives. Therefore, an indeterminable contingency exists for expenditures, which may be disallowed by the granting agencies.

Pension Plan

Plan Description

The Council contributes to the Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan. The system provides for the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty death allowance, duty death allowance, post-retirement adjustments, and death-after-retirement surviving spouse benefit, to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the year ending December 31, 2005.

The information presented in this section is intended only as general information regarding the retirement plan and is not a substitute for the MERS Plan Document as revised.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

During the fiscal year ended September 30, 2006, the Council's contributions to the plan were \$42,575 (including an extra contribution of \$15,000). Contributions were made in accordance with contribution requirements determined by an actuarial valuation. The Council's payroll for employees covered by the plan for the year ended September 30, 2006 was \$251,272.

Lakeshore Coordinating Council
Notes To Financial Statements

The employer contribution rate has been determined based on the entry age normal funding method. Under this method, the total actuarially-determined contribution requirement is the sum of the normal cost and the payment required to amortize the unfunded accrued liability over the amortization period of 30 years, less the accelerated funding credit, if available. The normal cost is the cost of benefit rights accruing on the basis of current service. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases. Additional information regarding the pension plan of Lakeshore Coordinating Council can be found in the annual report issued by Gabriel, Roeder, Smith & Company. A copy of that report can be requested by writing to the above actuaries at: One Towne Square, Suite 800, Southfield, Michigan, 48076.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure. The following table presents information required by GASB Statements Number 25 and 27:

GASB 25 INFORMATION (as of 12/31/05)	
Actuarial Accrued Liability:	
Retirees and Beneficiaries Currently Receiving Benefits	\$376,489
Terminated Employees Not Yet Receiving Benefits	16,830
Non-vested terminated employees	-
Current Employees – Accumulated Employee Contributions Including Allocated Investment Income Employer Financed	- 282,486
Total Actuarial Accrued Liability	675,805
Net Assets Available For Benefits At Actuarial Value (market value \$657,997)	675,805
Unfunded (Overfunded) Actuarial Accrued Liability	-
GASB 27 INFORMATION (as of 12/31/05)	
Fiscal Year Beginning	Oct. 1, 2007
Annual Required Contributions (ARC)	\$16,488
Amortization Factor Used – Underfunded Liabilities (30 years)	0.053632

Additional information can be obtained by writing to: Lakeshore Coordinating Council, 324 Washington Street, Grand Haven, Michigan, 49417.

Risk Management

The Council is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Council has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance, if any, have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Also, the Council authorized the establishment of an Internal Service Fund to account for funds to be used to cover the risk of overspending their authorized projected revenues covered by the Medicaid contract.

The contract entered into by the Council provides for the use of Medicaid funding for the establishment of an Internal Service Fund that is restricted for use only to meet expected future risk corridor requirements of the contract. Expenditures from the Internal Service Fund will occur when, in any one fiscal year, the Council finds it necessary to expend more to provide services necessary to carry out the contract requirements than revenue provided to the Council by the contract.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

LAKESHORE COORDINATING COUNCIL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Favorable (Unfavorable) Variances Between Actual And Final Budget
	Original	Final	Actual	
Revenues				
Federal Grants				
Substance Abuse Block Grant	\$4,222,412	\$4,541,110	\$4,514,962	(\$26,148)
Substance Abuse - Medicaid Managed Care	1,834,132	1,580,896	1,258,554	(322,342)
Adult Benefit Waiver	105,838	104,146	104,146	-
MI Child	9,500	9,484	7,433	(2,051)
Total Federal Grants	6,171,882	6,235,636	5,885,095	(350,541)
State Grants				
PA 2	1,210,554	1,338,272	1,280,186	(58,086)
Total State Grants	1,210,554	1,338,272	1,280,186	(58,086)
Other Revenues				
Fees and Charges	-	-	717	717
Interest	10,000	30,337	33,036	2,699
Total Other Revenues	10,000	30,337	33,753	3,416
Total Revenues	7,392,436	7,604,245	7,199,034	(405,211)
Expenditures				
Payments to Subrecipients - Block Grant	3,889,977	4,154,567	4,133,798	20,769
Payments to Subrecipients - Medicaid Managed Care	1,683,936	1,436,756	1,116,509	320,247
Salaries and Wages	226,789	247,271	247,118	153
Fringe Benefits	85,824	109,019	106,466	2,553
Travel	13,147	14,135	15,743	(1,608)
Supplies and Materials	15,300	13,998	12,691	1,307
Other	137,136	131,856	128,505	3,351
Capital Outlay	-	9,861	9,835	26
Adult Benefit Waiver	105,838	105,838	104,146	1,692
MI Child	9,500	9,484	7,433	2,051
C.A. Methamphetamine Grant	14,435	33,188	33,188	-
PA 2	1,210,554	1,338,272	1,280,186	58,086
Total Expenditures	7,392,436	7,604,245	7,195,618	408,627
Excess of Revenues Over (Under) Expenditures	-	-	3,416	3,416
Fund Equity - October 1	39,994	39,994	39,994	-
Prior Period Adjustments	-	-	(2,151)	(2,151)
Fund Equity - September 30	\$39,994	\$39,994	\$41,259	\$1,265

The notes to the financial statements are an integral part of this statements.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Lakeshore Coordinating Council
Grand Haven, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeshore Coordinating Council (the Council) as of and for the year ended September 30, 2006, which collectively comprise the Council's basic financial statements and have issued our report thereon dated May 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Council in a separate letter dated May 18, 2007.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 18, 2007



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Lakeshore Coordinating Council
Grand Haven, Michigan

Compliance

We have audited the compliance of Lakeshore Coordinating Council (the Council) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended September 30, 2006. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Lakeshore Coordinating Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

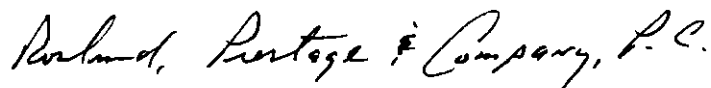
Internal Control Over Compliance

The management of Lakeshore Coordinating Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 18, 2007

Lakeshore Coordinating Council
Schedule Of Expenditures Of Federal Awards
For The Year Ended September 30, 2006

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	(Accrued) Deferred Revenue At 10/01/2005	Current Year Receipts	Current Year Expenditures	(Accrued) Deferred Revenue At 09/30/2006	Adjust- ments	GPFS Federal Revenue Recognized	GPFS Page
Department of Health and Human Services										
Passed Through The Michigan Department of Community Health Bureau Of Substance Abuse Services										
Block Grant for Prevention & Treatment of Substance Abuse	93.959		\$4,122,354	-	4,122,345	\$4,122,345	-	-	\$4,122,345	
Methamphetamine Prevention State Incentive Grant	93.243		143,916	-	\$138,582	138,582	-	-	138,582	
Total for 93.243			250,622	-	229,817	229,817	-	-	229,817	
			394,538	-	368,399	368,399	-	-	368,399	
State Disability Assistance	NA		24,218	-	24,218	24,218	-	-	24,218	
MI Child (See note A) Adult Benefit Waiver	93.767		9,484	-	9,484	7,433	\$8,885	\$6,834 A	7,433	
Total for 93.767			104,146	-	104,146	104,146	-	-	104,146	
			113,630	-	113,630	111,579	8,885	6,834	111,579	
Medical Assistance Program	93.778		1,389,730	(\$69,712)	1,389,730	1,258,554	230,447	168,983 B	1,258,554	
TOTALS			\$6,044,470	(\$69,712)	\$6,018,322	\$5,885,095	\$239,332	\$175,817	\$5,885,095	5

The above amounts reflect both federal and state funding. See allocation below.

Note A - MI Child - The beginning deferred revenue was omitted from the prior years report.

Note B - The beginning deferred revenue was incorrect in prior years report.

	CDFA	Federal	State
Medicaid	93.778	56.59%	43.41%
MI Child	93.767	69.61%	30.39%
Adult Benefits Waiver	93.767	69.61%	30.39%
Community Grant	93.959	80.00%	20.00%
Community Grant, Increase	93.959	100.00%	0.00%
Melhamphetamine	93.243	100.00%	0.00%
Prevention	93.959	80.00%	20.00%
Prevention, Increase	93.959	100.00%	0.00%
State Incentive Grant	93.243	100.00%	0.00%
State Disability	NA	0.00%	100.00%

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED SEPTEMBER 30, 2006

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's opinion issues:	Unqualified.
Internal control over financial reporting:	
▪ Material weakness(es) identified?	No.
▪ Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported.
Noncompliance material to financial statements noted?	No.

FEDERAL AWARDS

Internal control over major program:	
▪ Material weakness(es) identified?	No.
▪ Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported.
Type of auditor's report issued on compliance for major programs:	Unqualified.
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No.
Dollar threshold used to distinguish between type A and type B programs:	\$300,000.
Auditee qualified as low-risk auditee?	Yes.

Identification of major programs: Block Grant For Prevention and Treatment of Substance Abuse - CFDA #93.959.

FINANCIAL STATEMENT FINDINGS

None.

OTHER SUPPLEMENTAL INFORMATION

Lakeshore Coordinating Council
SUBSTANCE ABUSE PREVENTION & TREATMENT
Schedule of Budgeted, Reported, and Audited Amounts
For the Year Ended September 30, 2006

<u>Fund Source</u>	<u>Budgeted (FINAL)</u>	<u>Reported (FINAL RER)</u>	<u>Audited Expenditures</u>	<u>Variance (Audited-Reported)</u>	<u>Local Match Funds</u>
A State Agreement					
1 Community Grant	\$4,122,354	\$4,122,349	\$4,122,349	-	
2 SDA	24,218	24,214	24,214	-	
3 SIG	250,622	229,817	229,817	-	
4 Methamphetamine	143,916	138,582	138,582	-	
A Subtotal	<u>4,541,110</u>	<u>4,514,962</u>	<u>4,514,962</u>	-	
B Medicaid					
1 Current Year PEPM (Federal & State)	1,518,580	1,196,238	1,196,238	-	
2 Reinvestment Savings	62,316	62,316	62,316	-	
B Subtotal	<u>1,580,896</u>	<u>1,258,554</u>	<u>1,258,554</u>	-	
C Adult Benefit Waiver (ABW)					
1 Current Year PEPM (federal share only)	104,146	104,146	104,146	-	
C Subtotal	<u>104,146</u>	<u>104,146</u>	<u>104,146</u>	-	
D MI CHILD					
1 Current Year PEPM	9,484	7,433	7,433	-	
D Subtotal	<u>9,484</u>	<u>7,433</u>	<u>7,433</u>	-	
E Local					
1 Current Year PA2	1,338,272	1,305,241	1,280,186	(\$25,055)	(1) \$1,280,186
2 PA2 Fund Balance	-	-	-	-	-
3 Other Local (R325.4152 excluding subsection (1)(b))	30,337	30,337	30,337	-	30,337
E Subtotal	<u>1,368,609</u>	<u>1,335,578</u>	<u>1,310,523</u>	<u>(25,055)</u>	
F Fees & Collections- Subtotal (R325.4151 (1)(d))	<u>91,730</u>	<u>79,313</u>	<u>79,313</u>	-	79,313
G Other Contracts & Sources (Subtotal)	<u>645,435</u>	<u>627,120</u>	<u>627,120</u>	-	
Grand Total of Subtotals A-G	<u><u>\$8,341,410</u></u>	<u><u>\$7,927,106</u></u>	<u><u>\$7,902,051</u></u>	<u><u>(\$25,055)</u></u>	
			Amount Billable to MDCH (Section A audited subtotal)	<u>\$4,514,962</u>	
			Total MDCH Payments	<u>4,541,110</u>	
			(Overpayment)/Underpayment	<u><u>(\$26,148)</u></u>	
					Local Match Funds Total
					<u>\$1,389,836</u>
					Local Match Requirement [(Grand Total of Audited Expenditures-B-C-D-G) * 10%]
					<u>590,480</u>
					Local Match (Shortfall)/Excess
					<u><u>\$799,356</u></u>

Variance Footnotes

(1) \$25,055 in prior fiscal year PA2 expenditures was reported on current fiscal year's RER. PA2 funds are received on a calendar year.

Lakeshore Coordinating Council
SUBSTANCE ABUSE PREVENTION & TREATMENT
Schedule of Expenditures and Funding Sources by Program
Year Ended September 30, 2006

Year Ended September 30, 2006																
Program	Budgeted (FINAL)	Reported (FINAL RPT)	Audited Expenditures			Audited Funding Sources					Total Funding	Variance (Audited-Reported)	Questioned Cost (Expenditures less Funding)			
			Gross Amount	Less Medicaid	Less Fees	Net Amount	State Agreement	SDA	PA2	Other Local				Other Sources	ABW	MI/CHILD
Administration	\$509,477	\$507,382	\$507,382	\$142,045	\$0	\$365,337	\$335,000	\$0	\$0	\$33,036	\$0	\$0	\$0	\$368,036	\$0	(\$2,699)
Prevention	1,574,137	1,516,979	1,562,660	0	21,515	1,541,145	932,441	0	393,887	0	214,817	0	0	1,541,145	45,681	0
Treatment	4,828,530	4,607,636	4,536,900	1,089,782	57,798	3,389,320	2,472,360	24,214	880,299	0	5,014	0	9,484	3,391,371	(70,736)	(2,051)
Women's Services	418,438	319,355	319,355	26,727	0	292,628	280,398	0	6,000	0	6,230	0	0	292,628	0	0
HIV/EP Training	54,274	54,274	54,274	0	0	54,274	54,274	0	0	0	0	0	0	54,274	0	0
SIG	660,616	625,511	625,511	0	0	625,511	229,817	0	0	0	395,694	0	0	625,511	0	0
Methamphetamine	143,916	143,946	143,946	0	0	143,946	138,582	0	0	0	5,364	0	0	143,946	0	0
Other - ABW	152,022	152,023	152,023	0	0	152,023	47,876	0	0	0	0	104,147	0	152,023	0	0
Totals	\$8,341,410	\$7,927,106	\$7,902,051	\$1,258,554	\$79,313	\$6,564,184	\$4,490,748	\$24,214	\$1,280,186	\$33,036	\$627,119	\$104,147	\$9,484	\$6,568,934	(\$25,055)	(\$4,750)
							\$4,514,962									

Reconciliation of Medicaid Managed Care (PEPM) Funds:

Beginning Balance	\$2,335
Current Year PA2	1,295,609
Interest Earned	3,246
Expenditures	(1,280,186)
Ending Balance	21,004

Reconciliation of PA2 Funds:

Beginning Balance	\$1,385,730
Current Year PA2	150,790
Interest Earned	(1,268,554)
Expenditures	(230,447)
Ending Balance	51,519

Questioned Cost Footnotes:

Additional funding of \$2,699 resulted from CA Banking Interest in excess of CA expenditures.
Additional funding of \$2,051 resulted from MI/Child revenues in excess of MI/Child expenditures.

Michigan Department of Community Health
Office of Drug Control Policy
Legislature Report for Fiscal Year 2006
Expenditures and Revenues
Lakeshore Coordinating Council

Agency	ISATS #	Provider	ODCP	Medicaid	ABW (Federal Share Only)	MIChild (Federal Share Only)	SDA	Fees	Local	Federal	Other	Total Revenues/Expenditures	Units of Service	Admissions	Unduplicated Clients
Administrative															
1000	1000	CA Admin			\$0	\$0	\$0	\$0	\$30,337	\$0	\$0	\$507,382	0	0	0
1000	1000	Administrative Totals	\$335,000	\$142,045	\$0	\$0	\$0	\$0	\$30,337	\$0	\$0	\$507,382	0	0	0
1000	1000	AMS			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	1000	AMS	\$97,515	\$89,891	\$0	\$0	\$0	\$3,286	\$0	\$0	\$0	\$190,692	2,027	1,358	1,225
1000	1000	AMS	\$92,657	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$92,657	0	845	845
1000	1000	AMS	\$24,379	\$22,473	\$0	\$0	\$0	\$821	\$0	\$0	\$0	\$47,673	507	339	307
1000	1000	AMS Totals	\$214,551	\$112,364	\$0	\$0	\$0	\$4,107	\$0	\$0	\$0	\$331,022	2,534	2,542	2,377
1000	1000	Detox			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	1000	Detox	\$59,150	\$14,600	\$0	\$0	\$0	\$65	\$0	\$0	\$0	\$73,815	373	134	120
1000	1000	Detox	\$800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$800	4	1	1
1000	1000	Detox	\$83,450	\$14,600	\$0	\$0	\$0	\$0	\$3,600	\$0	\$0	\$128,250	644	177	160
1000	1000	Detox Totals	\$143,400	\$56,000	\$0	\$0	\$0	\$65	\$3,600	\$0	\$0	\$203,065	1,021	312	281
1000	1000	IOP			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	1000	IOP	\$0	\$0	\$0	\$0	\$0	\$0	\$1,640	\$0	\$0	\$1,640	17	2	2
1000	1000	IOP	\$34,729	\$22,380	\$240	\$0	\$0	\$3,103	\$0	\$0	\$0	\$50,452	523	60	60
1000	1000	IOP	\$161,348	\$120,816	\$33,260	\$0	\$0	\$480	\$0	\$0	\$0	\$335,903	3,397	343	297
1000	1000	IOP	\$14,436	\$20,170	\$0	\$2,145	\$0	\$0	\$91,270	\$0	\$0	\$128,021	409	391	391
1000	1000	IOP	\$8,184	\$42,250	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,434	445	35	35
1000	1000	IOP	\$93,020	\$13,900	\$5,294	\$0	\$0	\$0	\$0	\$0	\$0	\$112,214	1,198	99	105
1000	1000	IOP	\$26,165	\$1,365	\$118	\$0	\$0	\$0	\$0	\$0	\$0	\$27,648	317	19	17
1000	1000	IOP	\$701	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$701	7	1	1
1000	1000	IOP	\$105	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$105	1	0	0
1000	1000	IOP	\$18,760	\$14,120	\$4,322	\$0	\$0	\$0	\$17,874	\$0	\$0	\$55,076	595	47	49
1000	1000	IOP	\$70,679	\$3,769	\$2,986	\$0	\$0	\$2,705	\$4,473	\$0	\$0	\$94,612	492	36	36
1000	1000	IOP	\$3,675	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,675	35	2	2
1000	1000	IOP	\$58,879	\$15,312	\$5,292	\$0	\$0	\$2,304	\$13,399	\$0	\$0	\$95,186	954	69	79
1000	1000	IOP	\$0	\$3,072	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,072	32	3	3
1000	1000	IOP	\$0	\$3,120	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,120	30	3	3
1000	1000	IOP	\$22,080	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,014	\$27,094	1,178	37	37
1000	1000	IOP Totals	\$532,761	\$260,274	\$51,511	\$2,145	\$0	\$8,592	\$128,656	\$0	\$5,014	\$988,953	10,833	1,165	1,121
1000	1000	Methadone			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	1000	Methadone	\$4,345	\$42,492	\$515	\$0	\$0	\$1,837	\$0	\$0	\$0	\$49,189	12,085	0	0
1000	1000	Methadone	\$4,389	\$916	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,205	1,667	0	0
1000	1000	Methadone	\$0	\$1,552	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,552	205	0	0
1000	1000	Methadone	\$614	\$1,776	\$846	\$0	\$0	\$0	\$0	\$0	\$0	\$3,236	609	0	0
1000	1000	Methadone	\$0	\$4,120	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,120	285	0	0
1000	1000	Methadone Totals	\$9,347	\$47,776	\$1,362	\$0	\$0	\$1,837	\$0	\$0	\$0	\$50,322	15,051	0	0

Other Services

Michigan Department of Community Health
Office of Drug Control Policy
Legislative Report for Fiscal Year 2006
Expenditures and Revenues
Lakeshore Coordinating Council

Agency #	I-SATS #	Prevention	Provider	ABW (Federal Share Only)	MI/Child (Federal Share Only)	SDA	Fees	Local	Federal	Other	Total Revenues/ Expenditures	Units of Service	Admissions	Unduplicated Clients
30021	M114629	Allegan CMH "SIG"		\$0	\$0	\$0	\$2,285	\$74,212	\$0	\$65,506	\$265,720	0	0	0
30021	M114629	Allegan CMH "SIG"		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$74,817	0	0	0
30021	M114629	Allegan CMH "Meth"		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$61,229	0	0	0
30021	M114629	Allegan CMH "Meth"		\$0	\$0	\$0	\$19,230	\$50,000	\$0	\$76,052	\$376,519	0	0	0
30021	M114629	Berrien Co Hlt Dept		\$0	\$0	\$0	\$0	\$0	\$0	\$395,694	\$550,694	0	0	0
30021	M114629	Berrien Co Hlt Dept "SIG"		\$0	\$0	\$0	\$0	\$0	\$0	\$664	\$18,664	0	0	0
30021	M114629	Cass/Woodlands		\$0	\$0	\$0	\$0	\$0	\$0	\$5,365	\$49,530	0	0	0
30021	M114629	Cass/Woodlands "Meth"		\$0	\$0	\$0	\$0	\$0	\$0	\$43,991	\$220,136	0	0	0
30021	M114629	Child & Family Western MI-Holland		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$80,903	0	0	0
30021	M114629	Every Woman's Place		\$0	\$0	\$0	\$0	\$267,275	\$0	\$28,603	\$437,808	0	0	0
30021	M114629	Muskegon Co Hlt Dept		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$53,953	0	0	0
30021	M114629	NIA Ottawa Co. Health Dept		\$0	\$0	\$0	\$0	\$6,719	\$0	\$0	\$6,719	0	0	0
30021	M114629	Sylvia's Place		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$55,133	0	0	0
30021	M114629	Van Buren/Cass Co Health Dept		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$33,188	0	0	0
30021	M114629	CA Admin for Methamphetamine Grant		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$33,188	0	0	0
30021	M114629	CA Regional Prevention Activities		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,423	0	0	0
30021	M114629	Prevention Totals		\$0	\$0	\$0	\$21,515	\$398,206	\$0	\$615,876	\$2,336,437	0	0	0
30021	M114629	Residential		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,098	72	8	6
30021	M114629	Kanos Healthcare, Inc. (inc. Rm & Bd for Med)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$238,547	1,411	164	161
30021	M114629	Jim Gilmore Jr. Community Healing Ctr		\$0	\$0	\$0	\$800	\$525	\$0	\$0	\$525	3	1	1
30021	M114629	QAR-Chester A. Ray Ctr (Rm & Bd for Med)		\$0	\$0	\$7,817	\$1,286	\$149,867	\$0	\$0	\$299,252	4,043	54	63
30021	M114629	QAR-Harbor House (Rm & Bd for Med)		\$0	\$0	\$16,397	\$1,286	\$72,192	\$0	\$0	\$264,202	3,546	61	66
30021	M114629	Pine Rest/Jellema Treatment Ctr & WIC		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$54,350	550	17	20
30021	M114629	Pine Rest/Jellema House		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$19,435	284	11	11
30021	M114629	Salvation Army Turning Point Programs		\$0	\$0	\$0	\$0	\$6,825	\$0	\$0	\$156,021	933	136	134
30021	M114629	Woodwood Christian Services		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,556	14	1	1
30021	M114629	Residential Totals		\$0	\$0	\$24,214	\$3,371	\$229,409	\$0	\$0	\$1,051,976	10,856	453	465
30021	M114629	Lakeshore Coordinating Council Totals		\$104,146	\$7,433	\$24,214	\$79,313	\$1,335,578	\$0	\$627,120	\$7,927,106	80,522	8215	9155

NOTES: A portion of WSS funds are used for ancillary services. WSS funds are used for ancillary services provided to Medicaid clients from PIHPs that do not contract with LCC and client data could not be captured

ist of any discrepancies between Legislative Report and Revenues and Expenditures Report Form:



MANAGEMENT LETTER

Board Of Directors
Lakeshore Coordinating Council

In planning and performing our audit of the financial statements for Lakeshore Coordinating Council for the fiscal year ended September 30, 2006 we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of efforts to strengthen internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated May 18, 2007 on the financial statements of Lakeshore Coordinating Council.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

ROSLUND, PRESTAGE AND COMPANY, P.C.
Certified Public Accountants

May 18, 2007

Lakeshore Coordinating Council
Management Letter

STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS

We were pleased to see that management has implemented our recommendations we included in our previously issued Management Letter. We commend you on your efforts to strengthen internal controls and operating efficiencies.

We have listed below the comments and related recommendations we included in our previously issued Management Letter in which the recommendations we suggested, or an appropriate alternative, have not been fully implemented as of the date of this report.

Sub-Recipient Monitoring

Prior Year Comment and Recommendation

The *Audit Guidelines for the Substance Abuse Prevention and Treatment Programs* issued by the Michigan Department of Community Health require, among other things, that the Coordinating Agencies "review subcontractors' audit reports and issue a management decision on any audit findings".

During our review of this process we found that several of the subrecipients' audit reports had not been submitted to Lakeshore Coordinating Council for review in a timely manner.

Although all reports had been received and reviewed for the prior fiscal year, we recommend that management communicate to each subcontractor the need to file annual audit reports to the Coordinating Agency so that the appropriate monitoring can be performed within a reasonable time period following year end. Consideration should be given for those subcontractors whose year end does not coincide with the year end of the Coordinating Agency.

Current Status

The recommendation has been implemented. However, as of the date of this letter, the Council had not received audit reports for nine of the subrecipients for the fiscal year ended September 30, 2006.

Lakeshore Coordinating Council
Management Letter

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Adopt a Capitalization Policy and Expense Small Items

We noted during our audit that there is no established guideline concerning which property and equipment acquisitions are to be capitalized. We recommend that the Council establish a capitalization policy whereby all purchases over a minimum threshold (i.e. \$5,000) and having a useful life of one year or more are capitalized. This policy should be in writing and communicated to those who code property invoices to ensure the policy is consistently followed.

Also, we recommend that capitalized expenditures be coded to an account separate from those expenditures which will not be capitalized. This will result in a more uniform treatment of property and equipment and allow the Council to continue to assess current expenditures along with identifying significant assets that will later be capitalized.

Charge Card

Because the Council has charge cards available for use by authorized employees, the Council must adopt, by Board resolution, a written policy that is in compliance with Public Act 266 of 1995.

We have provided management a copy of Letter No. 2-96 from the Department of Treasury that contains the necessary information to prepare the resolution. The requirements listed in this letter should also be incorporated in the Council's policies and procedures manual.